

CITY OF MCGREGOR
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

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CITY OF MCGREGOR

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gaylinda Hallberg	Mayor	Jan. 2014
Joe Muehlbauer	Mayor Pro tem	Jan. 2016
Jason Bagdonovich	Council Member	Jan. 2014
Joe Collins	Council Member	Jan. 2014
Charles Carroll	Council Member	Jan. 2014
Rogeta Halvorson	Council Member	Jan. 2016
Lynette Sander	City Clerk	Indefinite
Mary Guritz	Treasurer	Indefinite
Michael Schuster	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Honorable Mayor
and Members of the City Council:

We have performed an examination of the City of McGregor pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of McGregor for the period July 1, 2012 through June 30, 2013. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related procedures and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended Chart of Accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization, and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification, and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of McGregor, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of McGregor additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of McGregor and other parties to whom the City of McGregor may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of McGregor during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

October 22, 2013



Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

DETAILED RECOMMENDATIONS

CITY OF MCGREGOR
DETAILED RECOMMENDATIONS
For the Period July 1, 2012 through June 30, 2013

- A) Deposits and Investments - The Library Board has invested trust fund money in certificates of deposit held in depositories outside the State of Iowa. Chapter 12C of the Code of Iowa requires City deposits to be held in depositories located in the county in which the City is located. In addition, the Library Board has invested funds in common stocks. Chapter 12B.10(5) does not include common stocks in its list of all allowable investments for political subdivisions of the state.

Recommendation - The City should only make investments allowed by the Code of Iowa.

- B) Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the Community and Economic Development function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budget.

- C) Business Transactions - Business transactions between the City and City officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Gaylinda Hallberg, Mayor, Employee of Kwik Trip	Fuel	\$ 3,684
Joe Muehlbauer, Council Member, Employee of O'Reilly Auto Parts	Repair parts	589
Jason Bogdonovich, Council Member, Police Officer, MarMac Unified Law Enforcement District	Police services	92,413

In accordance with Chapter 362.5(11), the transactions with O'Reilly Auto Parts do not appear to represent a conflict of interest since total transactions with the business were less than \$ 2,500. In accordance with Chapter 362.5(7), the 28E agreement forming the MarMac Unified Law Enforcement District was entered into before Council Member Bogdonovich was elected to the Council. However, the

transactions with Kwik Trip may represent a conflict of interest as the transactions do not appear to meet any of the safe harbor provisions of Chapter 362.5.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

- D) Hotel/Motel Tax Receipts - The hotel/motel tax receipts are deposited directly to the General Fund. The 2002 resolution establishing the hotel/motel tax calls for two-thirds (2/3) of the receipts to be used for the acquisition of sites for, or constructing, improving, enlarging, equipping, repairing, operating, or maintaining recreational, convention, cultural, or entertainment facilities, including, but not limited to, memorial buildings, halls and monuments, civic centers, convention buildings, auditoriums, coliseums, and parking areas or facilities located at these recreational, convention, cultural, or entertainment facilities, or the payment of principal and interest on bonds or other evidence of indebtedness issued by the City for those recreational, convention, cultural or entertainment facilities or for the promotion and encouragement of tourist and convention business in the City and surrounding areas. The remaining receipts may be spent by the City for any lawful purpose for which receipts derived from an ad valorem taxes may be disbursed. Since the receipts from the hotel/motel taxes are deposited in the General Fund, the City cannot guarantee that these tax receipts are being disbursed in accordance with voter wishes.

Recommendation - The City should establish a special revenue fund for the hotel/motel tax receipts and make disbursements and transfers from that fund in accordance with the resolution establishing the tax.

- E) Special Revenue, Local Option Sales Tax Fund Balance - The resolution establishing the local option sales tax calls for 50% of the receipts to be used for streets and 50% to be used for economic development. Although the City has established a Special Revenue, Local Option Sales Tax Fund, and the City deposits sales tax receipts into the fund and makes disbursements and transfers from the fund for the purposes stated in the establishing resolution, there is no way to know how much of the remaining fund balance (\$ 13,354 at June 30, 2013) is for streets and how much is for economic development.

Recommendation - The City should create two sub-accounts within the fund balance of the Special Revenue, Local Option Sales Tax Fund; one showing the amount of the fund balance allocated to streets and one showing the fund balance allocated to economic development.

- F) Special Revenue, Emergency Fund - The City currently deposits its emergency levy receipts into the Special Revenue, Emergency Fund. However, in accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, these receipts would more appropriately

be deposited in the General Fund.

Recommendation - The City should transfer any remaining fund balance in the Special Revenue, Emergency Fund to the General Fund and deposit all future receipts of the emergency levy directly into the General Fund.

- G) Component Unit, Annual Examination and Audit - The City has one component unit, McGregor Municipal Utilities (MMU). MMU currently contracts for its annual examination or audit separately from the City. In years when the City elects or is required to have an audit, but MMU elects not to have an audit, the City receives a modified independent auditor's opinion on its financial statements.

Recommendation - The City and MMU should coordinate their annual examinations and audits. In addition to potentially receiving an unmodified opinion on the City's financial statements in years when the City is audited, the City and MMU could possibly save money by contracting for their annual examination jointly.